
Supreme Court of The United States

No.

PETITION FOR WRIT OF CERTIORARI
and
BRIEF IN SUPPORT THEREOF

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IN THE

Supreme Court of The United States

OCTOBER TERM, A. D. 1942.

No.

THE MERCOLD CORPORATION,

Petitioner,

MINNEAPOLIS HONEYWELL REGULATOR
COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI.

To the Honorable, the Chief Justice and Associated Justices of the Supreme Court of the United States:

Your petitioner, The Mercoild Corporation, prays that a writ of certiorari issue to review the judgment of the United States Circuit Court of Appeals for the Seventh Circuit entered December 23, 1942 (R. 1225), reported in 133 Fed. (2d) 811 (Petition for rehearing denied March 27, 1943).

A certified transcript of the record in this case, including the proceedings in said Circuit Court of Appeals, is furnished herewith, in accordance with Rule 38 of the Rules of this Court.

Summary Statement of Matters Involved.

This is a suit brought by petitioner, The Mercoid Corporation, for a declaratory decree that the Freeman patent No. 1,813,732, issued July 7, 1931, for a furnace control, owned by respondent, Minneapolis Honeywell, is invalid; that petitioner's fan and limit controls do not infringe nor contribute to the infringement of said patent; that respondent is not entitled to extend its patent monopoly to include petitioner's fan and limit controls not covered by said patent (R. 2). The complaint was filed June 29, 1940. Before answering petitioner's complaint, respondent filed a bill of complaint July 1, 1940, charging petitioner with infringement and contributing to the infringement of said Freeman patent (R. 38). Respondent filed its answer July 19, 1940 (R. 8). On September 20, 1940, petitioner filed its answer to respondent's bill of complaint averring that the claims of said patent are invalid; that respondent is utilizing the Freeman patent to establish a monopoly in the sale of combination furnace controls *per se* not coming within the boundaries of the Freeman patent (R. 48) and counterclaimed for a declaratory judgment. Respondent filed its reply to petitioner's counterclaim October 14, 1940 (R. 62). On January 7, 1941, petitioner filed a supplemental complaint for a declaratory judgment that respondent has granted licenses to five control manufacturers to make, use and sell combination furnace controls not covered by the patent to set up a monopoly beyond the scope of the patent; that respondent has deliberately conspired with its licensees and said licensees with respondent have wilfully and unlawfully conspired among themselves substantially to lessen competition and establish a monopoly in the sale of furnace controls in restraint of trade and have

established a price for the sale of individual controls not covered by the patent in violation of the Anti-Trust laws (R. 24). Respondent answered petitioner's supplemental complaint on January 28, 1941 (R. 31). Whereupon, these two suits were consolidated and tried together (R. 67). The District Court rendered an opinion February 27, 1942 (R. 1059), entered findings of fact and conclusions of law March 24, 1942 (R. 1065), and a final decree was entered March 24, 1942, that the said Freeman patent was valid; that petitioner contributes to the infringement of said patent; that respondent has been so using its Freeman patent as to tend to create a monopoly in an unpatented device; each of the complaints be hereby dismissed for want of equity; each of the parties pay one-half of the taxable costs (R. 1070).

An appeal and cross-appeal were duly taken by respondent and petitioner to the United States Circuit Court of Appeals for the Seventh Circuit and on December 23, 1942, said Court of Appeals affirmed the decree of the District Court in all respects, except as to its decree that respondent Honeywell has been so using its Freeman patent as to tend to create a monopoly in an unpatented device and in dismissing Honeywell's complaint, and in the assessment of costs. In these respects the decree was reversed and the cause remanded to the District Court for further proceedings not inconsistent with the opinion.

Jurisdiction.

1. This is a suit arising under the Patent Laws of the United States, Judicial Code, Sec. 24 (7), (28 U. S. C. Sec. 41 (7)), and under the Declaratory Judgment Act, Judicial Code, Sec. 274 d, amended, Title 28, Judicial Code, Sec. 400.

2. The jurisdiction of this Court is invoked under Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925 (28 U. S. C., Sec. 347), and under the Anti-Trust Laws, Title 15, U. S. Code, Sec. 4.

Questions Presented.

The decision of the Circuit Court of Appeals for the Seventh Circuit presents the following questions:

1. Is a patent valid as covering invention as distinguished from mechanical skill when the combined elements thereof are all separately old in the prior art and have been combined by the patentee to merely perform their old individual functions in a particular sequence?
2. Is a defendant a contributory infringer of a patent when it supplies an unpatented part designed for use, and knowing that it is to be used, in practicing the patented invention, but not a contributory infringer when the unpatented part so supplied is a mere article of commerce?
3. Does a patentee so use its patent as to be deprived of legal relief when the licenses it grants are conditioned upon the licensees purchasing from it an unpatented part for use in practicing the patented invention?
4. Does a patentee operate in restraint of trade and in violation of the Anti-Trust Laws when it requires as a condition to the use of a patented invention that an unpatented part thereof be purchased from the patentee or its licensee and fixes the price thereof?

Reasons for Granting the Writ.

The discretionary powers of this Court to grant a writ of certiorari are invoked under and suggested by Rule 38 of this Court:

1. *Conflict with decisions of other Circuit Courts of Appeal.*

(a) The Circuit Court of Appeals for the Seventh Circuit in this case has held that the combination of elements each old in the art and each performing the function for which it was designed is a valid patentable combination while the Circuit Court of Appeals for the First Circuit in *The Anderson Company et al. v. Lion Products, Inc., et al.*, 127 F. (2d) 454, and the Circuit Court of Appeals for the Third Circuit in *Zephyr American Corporation v. The Bates Manufacturing Company et al.*, 128 F. (2d) 380, have held that such a combination is not invention.

(b) The Circuit Court of Appeals for the Seventh Circuit in this case has held that one is a contributory infringer of a patent who furnishes an unpatented part especially designed for, and knowing it is to be used in, practicing the patented invention, while the Circuit Court of Appeals for the First Circuit, in *B. B. Chemical Co. v. Ellis*, 117 F. (2d) 829, and the Circuit Court of Appeals for the Second Circuit in *The Philad Co. v. Lechler Laboratories*, 107 F. (2d) 747, have held that there is no contributory infringement when the supplied part is unpatented, whether or not it be an old commodity or especially designed for use in practicing the patented invention.

(c) The Circuit Court of Appeals for the Seventh Circuit has held that a patentee is entitled to relief when it requires as a condition to the use of the patented invention

that an unpatented part used in practicing the invention must be purchased from it or from control manufacturer's licensed to sell the said unpatented part at not less than fixed prices, while the Circuit Court of Appeals for the First Circuit in *B. B. Chemical Co. v. Ellis*, 117 F. (2d) 829, the Circuit Court of Appeals for the Second Circuit in *The Philad Company v. Lechler Laboratories*, 107 F. (2d) 747, the Circuit Court of Appeals for the Third Circuit in *Barber Asphalt Co. v. La Fera-Greco Contracting Co.*, 116 F. (2d) 211, the Circuit Court of Appeals for the Fourth Circuit in *Sylvania Ind. Corp. v. Fisking*, 132 F. (2d) 947, and the Circuit Court of Appeals for the Seventh Circuit in *American Lection v. Warfield*, 105 F. (2d) 207, have held to the contrary.

(d) The Circuit Court of Appeals for the Seventh Circuit has held that there is no restraint of trade in violation of the Anti-Trust Laws when the owner of a patent forbids the purchase from competitors of an unpatented part necessary for the practice of the patented invention, while the Circuit Court of Appeals for the Third Circuit in *RCA v. Lord*, 28 F. (2d) 257, has held to the contrary.

2. *The Court of Appeals has decided a Federal question in a way probably in conflict with applicable decisions of this Court.*

(a). The Court of Appeals in holding the patent in suit valid is in conflict with this Court's decisions in *Keystone Driller Co. v. Northwest Engineering Corp.*, 294 U. S. 42; *Altama Public Theatres, Inc. v. American Tri-Ergon Corp.*, 294 U. S. 477; *Mauls, Lamp Company of America v. Aluminum Products Co.*, 301 U. S. 544, and *Cana Engineering Corporation v. The Automatic Devices Corporation*, 314 U. S. 84.

(b) The Circuit Court of Appeals has held that one is a contributory infringer of a patent who furnishes an unpatented part especially designed for and knowing it is to be used in practicing the patented invention, in conflict with this Court's decisions in *Carbice Corp. v. Ameri-*

can Patents Development Corp., 283 U. S. 27; *Leitch Mfg. Co. v. Barber*, 302 U. S. 458; *Russack Manufacturing Company v. Hollingshead Company*, 298 U. S. 415, and *Lirada Engineering Co. v. Stewart-Warner Corporation*, 303 U. S. 545.

(c) The Circuit Court of Appeals in holding that a patentee is entitled to relief when it requires as a condition to the use of the patented invention that an unpatented part used in practicing the invention must be purchased from it, is in conflict with this Court's decisions in *Carbide Corp. v. American Patents*, 283 U. S. 27; *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458; *B. B. Chemical Co. v. Ellis*, 314 U. S. 495, and *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488.

3. *The Circuit Court of Appeals in the instant case has decided an important question of Federal law which has not been, but should be, settled by this Court.*

It held that there is no restraint of trade in violation of the Anti-Trust Laws when the owner of a patent forbids the purchase from competitors of an unpatented part necessary for the practice of the patented invention. The Circuit Court of Appeals for the Third Circuit in *BCA v. Lord*, 28 F. (2d) 257, decided to the contrary, and this Court in *Morton Salt Co. v. Suppiger*, 314 U. S. 488, has suggested but not decided this question.

Wherefore, it is respectfully submitted that this petition for writ of certiorari to the Circuit Court of Appeals for the Seventh Circuit should be granted.

LANGDON MOORE,

GEORGE L. WILKINSON,

Counsel for Petitioner.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

Opinions of the Courts Below.

The memorandum opinion of the District Court for the Northern District of Illinois, Eastern Division, was filed February 27, 1942 (R. 1059); the findings of fact and conclusions of law were filed March 24, 1942 (R. 1065), and the decree entered pursuant thereto on March 24, 1942 (R. 1070).

The opinion of the Circuit Court of Appeals for the Seventh Circuit was filed December 23, 1942. It is reported in 133 F. (2d) 811.

Specification of Errors.

The errors which petitioners will urge if the writ of certiorari is issued are that the Circuit Court of Appeals for the Seventh Circuit erred:

1. In holding that the Freeman heating system patent in suit is a valid patent.

2. In construing the decisions of this Court in *Kearney, Dealer Company v. Northwest Engineering Corporation*, 294 U. S. 42; *Altman Public Theatres, Inc. v. American Ice-King Corp.*, 294 U. S. 477; *Mantle Lamp Company of America v. Algonquin Products Co.*, 301 U. S. 544, and *Cummins Engineering Corporation v. The Automobile Drivers Corporation*, 314 U. S. 84, differently from the construction which has been placed upon these decisions by the First and Third Circuit Courts of Appeal.

3. In holding the sale of an appliance not covered by the system patent for use in performing the system contributes to the infringement of the patent.

4. In construing the decisions of this Court in *Cummins Engineering Corporation v. American Patents Development Cor-*

poration, 283 U. S. 27; *Leitch Mfg. Company v. Barber Company*, 302 U. S. 458; *Morton Salt Company v. Sappier*, 314 U. S. 488, and *B. B. Chemical Co. v. Ellis et al.*, 314 U. S. 495, differently from the construction which has been placed upon these decisions by the First and Second Circuit Courts of Appeal.

5. In holding that the owner of a system patent who does not make, use, sell or install heating systems, but who makes and sells appliances for use in heating systems and requires the purchase from it of one of the appliances not covered by the patent as a condition to obtaining a license to use the system, is making a proper use of the patent and is not attempting to create a monopoly in an unpatented device.

6. In holding that the owner of a system patent who does not make, sell or install heating systems, but who makes certain appliances for use in said system and who grants to other manufacturers, who do not make, use, sell or install heating systems, the right under the system patent to make and sell certain of said appliances not covered by the patent, and requires the purchase of said appliances as a condition to obtain a license to use the heating system, and in said licenses to said manufacturers fixes the price of said appliances as well as fixes the price of other appliances adapted to be used in the patented system, is not violating the Anti Trust laws.

Summary of Argument.

7. The Circuit Court of Appeals for the Seventh Circuit in holding that the patent in suit is a valid patent is in conflict with the decisions of this Court in *Kingsdown Boiler Company v. Northwest Engineering Corporation*, 274 U. S. 32; *Alhambra Public Theatres, Inc. v. American Tri-Ecra Corp.*, 294 U. S. 477; *Mantho Lycop Company*

of *At America v. Aluminum Products Co.*, 301 U. S. 544, and *Cano Engineering Corporation v. The Automatic Devices Corporation*, 314 U. S. 84, and is in conflict with the judgments of the Circuit Court of Appeals for the First Circuit in *The Anderson Company et al. v. Lion Products Co., Inc., et al.*, 127 F. (2d) 454, and the Circuit Court of Appeals for the Third Circuit in *Zephyr American Corporation v. The Bates Manufacturing Company et al.*, 128 F. (2d) 380.

2. The Circuit Court of Appeals for the Seventh Circuit in holding contributory infringement, did not follow this Court's recent decisions in *Carbide Corp. v. American Patents Corp.*, 283 U. S. 27, and *Litch Mfg. Co. v. Barber Co.*, 302 U. S. 458, but relied upon a misapprehension of this Court's earlier decision in *Leeds & Catlin Co. v. Victor Talking Machine Co.*, 213 U. S. 325.

3. The Circuit Court of Appeals in holding that the respondent's method of doing business does not preclude the relief sought, is in conflict with the decisions of this Court in *B. B. Chemical Co. v. Ellis*, 314 U. S. 495, and *Horton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488, and is in conflict with the judgments of the Circuit Courts of Appeal for the Second, Third, Fourth and Seventh Circuits in *The Phildad Co. v. Lechler Laboratories*, 107 F. (2d) 747; *Barber Asphalt Co. v. La Fern Grecco*, 116 F. (2d) 211; *Salvama Ind. Corp. v. Fisking*, 132 F. (2d) 947, and *American Leathin Co. v. Warfield Co.*, 105 F. (2d) 207.

4. The Circuit Court of Appeals in holding that the acts of respondent in prohibiting the purchase from competitors of an unpatented part do not tend to create a monopoly in violation of the Anti-Trust Laws, is in conflict with the judgment of the Circuit Court of Appeals for the Third Circuit in *RCA v. Lord*, 28 F. (2d) 257, and with the intimation contained in the decision of this Court in *Horton Salt Co. v. Suppiger*, 314 U. S. 488.

July 7, 1931.

E. E. FREEMAN

1,813,732

FURNACE CONTROL

Filed Jan. 16, 1931

FIG. 1

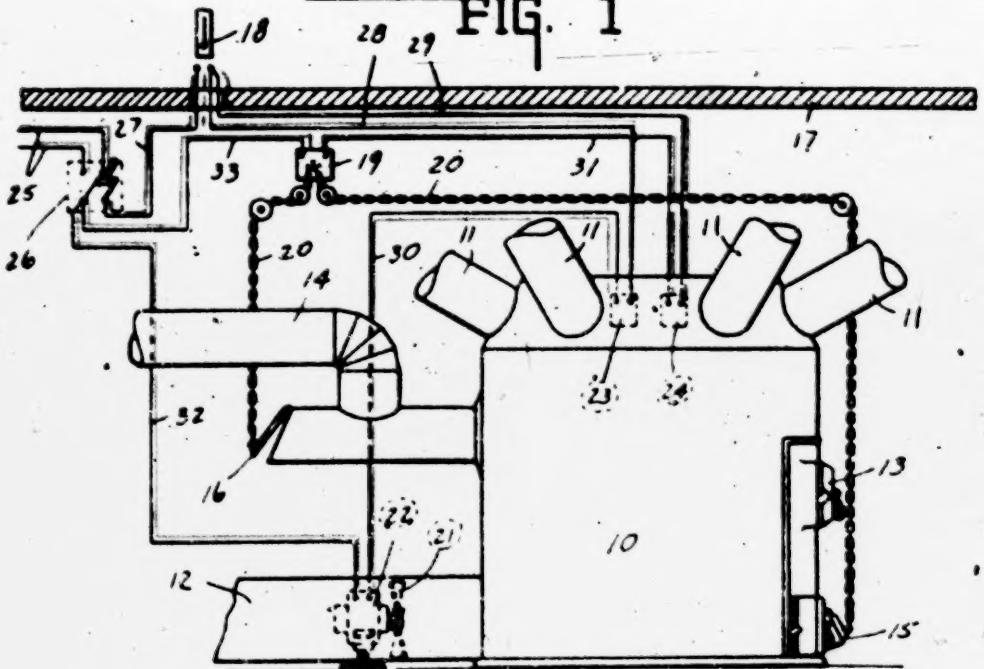
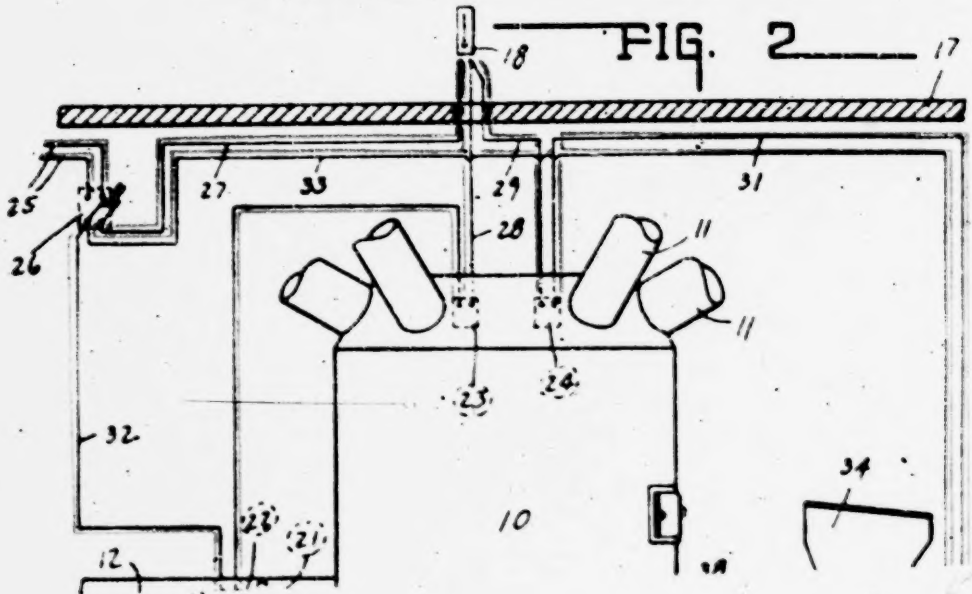


FIG. 2



First Question.

(Validity.)

The Circuit Court of Appeals in its opinion stated:

"The District Court wrote an opinion in these cases (*Mercoid Corporation v. Minneapolis-Honeywell Regulator Co.*, 43 Fed. Supp. 878) in which it set forth the patent claims in issue and discussed the issues including prior art, prior uses and laches, and they will not be repeated here. It is sufficient to say that the finding could not well have been otherwise under the evidence presented, and we approve that court's reasoning and conclusions with respect to validity, infringement and laches." (R. 1226, 1227.)

For convenience, the patent drawing of the Freeman patent is here reproduced.

The figures are wiring diagrams each showing a circuit colored red, from the source 25, through the room thermostat 18 and then through the limit control 24 to the fuel motor 19 or 35 and back to the source 25, and a circuit colored blue, from the room thermostat 18, through the furnace fan control 23 to the fan motor 22 and back to the source 25.

Freeman does not claim he invented any of the thermostatic switches used in his system, indicates them diagrammatically in his patent drawings, and admits they are old in the art (R. 436, 437, 438).

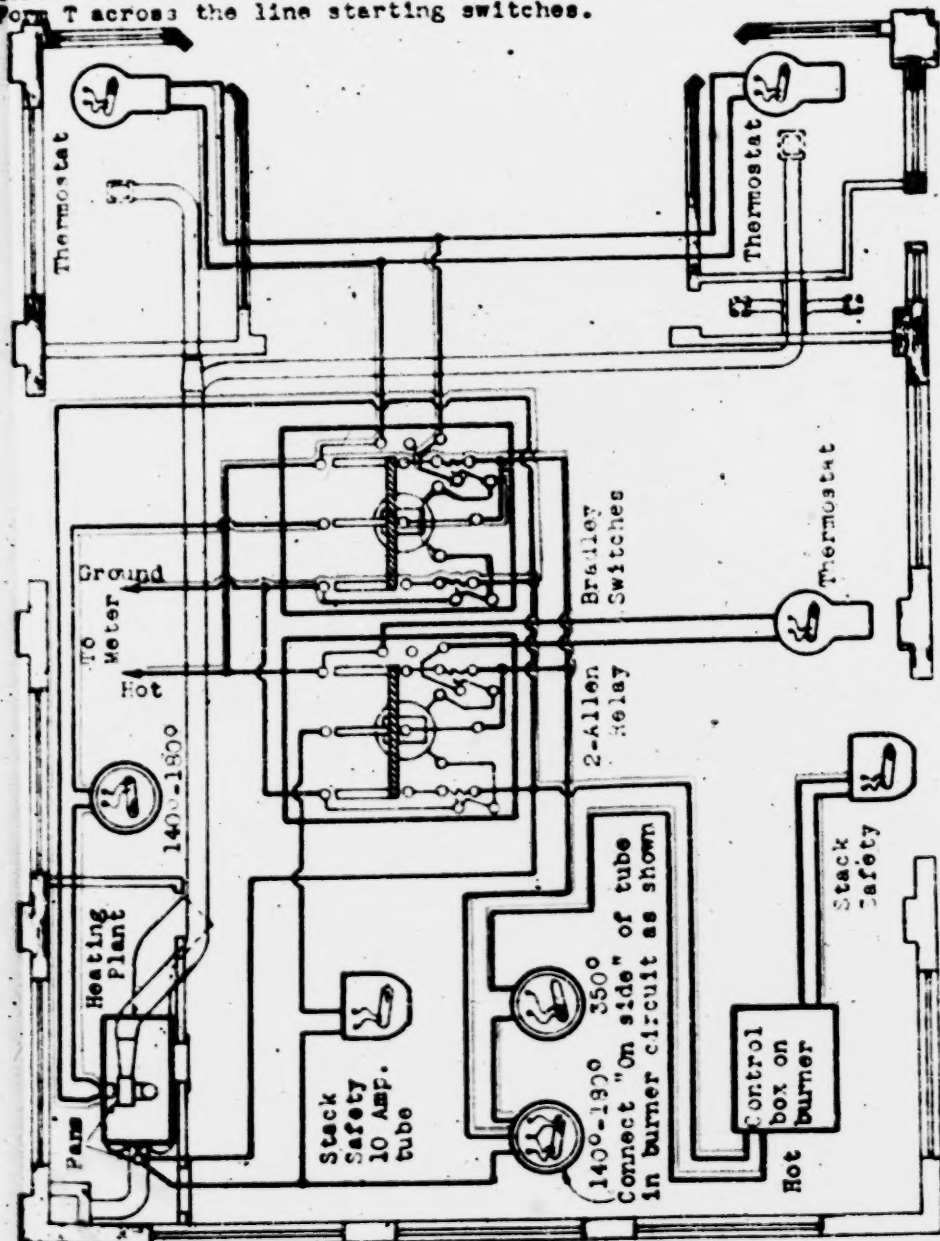
All that the Freeman patent discloses is an appropriate electrical wiring for securing old operations in heating systems, namely, a room thermostatic control of the supply of heat, limiting of the generated heat to a safe degree, and the continuation of the operation of the fan for delivering heated air from the furnace as long as there is a predetermined degree of heat in the combustion chamber, irrespective of whether fuel is supplied to the

furnace. That anyone skilled in the art could readily arrange circuits for accomplishing all that is disclosed in the Freeman patent, is clear from the following instances of what was known to the art long prior to the Freeman invention.

The record shows that Williams Oil O-Matic Heating Corporation published an Installation and Service Manual (R. 683) for the use of its dealers in installing Oil O-Matic oil burners and the controls therefor, including Sheet No. A 150, dated December 24, 1925 (R. 691), illustrating in a wiring diagram a warm air furnace, an Oil O-Matic oil burner, a Mercoid room thermostat and a Mercoid furnace control for stopping the operation of the burner when the temperature within the warm air furnace became dangerous, and Sheet A 67, dated October 19, 1926 (R. 689), illustrating in a wiring diagram a warm air furnace and an Oil O-Matic oil burner with a furnace fan connected in circuit with a Mercoid furnace fan control which does not permit the fan to start until the air in the furnace reaches a certain heat whereupon the fan continues to run as long as the furnace is above a certain heat, irrespective of supply of fuel to the furnace.

The record also shows that the Service Manager of Williams Oil O-Matic, assisted by an electrician of his department, prepared a wiring diagram dated May 5, 1927, as shown on Sheet A 128 (R. 695), for convenience here reproduced, illustrating a Mercoid room thermostat, Mercoid limit control, Mercoid furnace fan control, Oil O-Matic oil burner and furnace fan applied to a warm air furnace showing, in red, a circuit from the source, through the room thermostat, through an Allen Bradley relay switch, through the limit control to the burner motor and back to the source, and in blue, a circuit from the Allen Bradley relay switch, through the furnace fan control to the fan motor and back to the relay. The closing of the

Pan type direct fired heating system showing wiring diagram with Oil-O-Matic Burner. Controls necessary for installation as shown consist of: Three standard Mercoid Thermostats. One Honeywell Stack Safety with ten amp tube. One Mercoid Hot Air Control range 140° to 180° F with ten amp tube and contact off in cold position. One Mercoid Hot Air Furnace Control range 140° to 180° F with three circuit tube. One standard Mercoid Furnace Temperature Control 350°. Two Allen-Bradley Type J-155 Form T across the line starting switches.



DRAWN BY: *H.V.*

APPROVED BY: *D.H.P.*

10-4-53

OIL-O-MATIC

CORPORATION
BLOOMINGTON ILLINOIS

DATE *May 5-27*

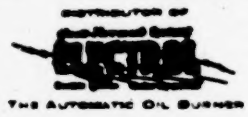
SHEET NO *A 198*

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J. A. PORTNER

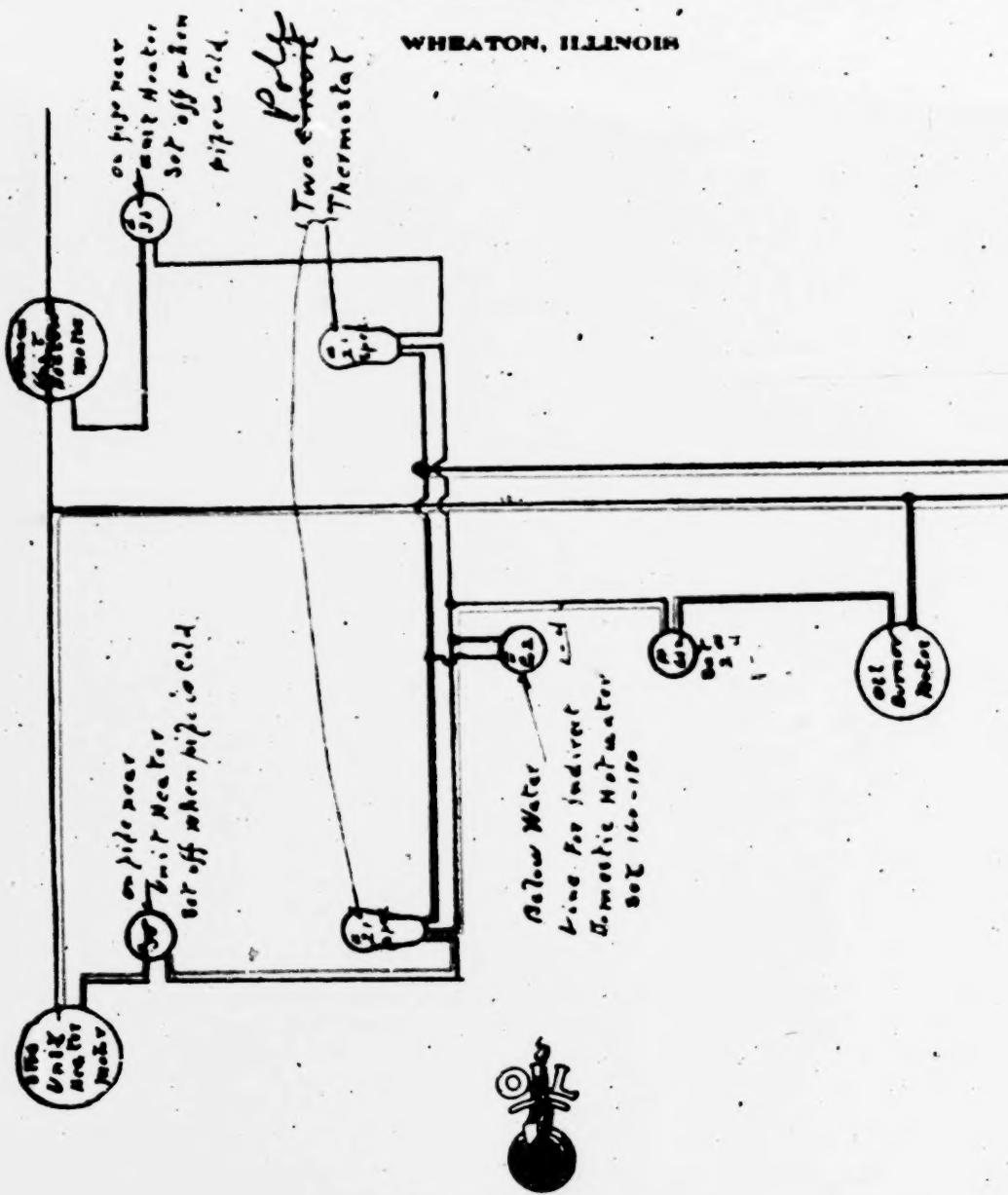
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MEMBER AMERICAN OIL BURNER ASSOCIATION

room thermostat closes the Allen Bradley relay switch which closes both the red circuit to the burner motor and the blue circuit to the fan motor so that when the room thermostat closes, both the burner motor circuit and fan motor circuit are established and the furnace fan will continue to operate so long as the room thermostat calls for heat, even if the burner motor is stopped by the limit control.

The record also shows that J. A. Portner, a man who had been installing heating systems for 31 years (R. 312), on November 22, 1928, wrote Mercoïd and enclosed a proposed wiring diagram for the heating system in his new place of business (R. 959), for convenience here reproduced.

This wiring diagram shows an oil burner motor, a Mercoïd room thermostat #21, a Mercoïd limit control #612 and a Mercoïd control #35 for controlling the operation of a unit heater fan motor, with these controls arranged in circuit so that the current from the source, shown in red, passes through the room thermostat, through the limit control and burner motor back to the source, and as shown in blue, from the room thermostat, through the Mercoïd control #35 and fan motor back to the source, so that the furnace fan will continue to operate so long as the room thermostat calls for heat, even if the burner motor is stopped by the limit control.

In both of these wiring diagrams of May 5, 1927, and November 22, 1928, the room thermostat normally starts the burner motor. The limit control thermostat breaks the burner motor circuit when the heat conducting medium within the furnace reaches a predetermined high temperature. Another thermostat or fan control responsive to temperature within the furnace does not permit the fan to start until the air to be forced into the room reaches a certain heat. It then starts the fan which con-

times to run so long as the furnace is hot and the room thermostat calls for heat, even if the burner motor is stopped by the limit control.

Each of these wiring diagrams illustrate the same sequence of operation as illustrated in the Freeman patent drawing.

It is submitted that men whose business is to install automatically controlled heating systems by the use of various thermostatic devices and who have been familiar with the Mercoid controls since 1925 and have continuously made installations employing these controls in various circuits in heating systems, are men skilled in this particular art. These wiring diagrams of 1927 and 1928 are evidence of how men skilled in the art would arrange the thermostatic switches subject to furnace heat in connection with a room thermostat, fuel feed motor and a fan to force hot air from the furnace to the rooms to secure a sequence of operation whereby combustion is stopped before excessive heat is reached in the furnace but the fan continues to run and take the heated air from the furnace and deliver it to the rooms, and are persuasive that the system disclosed in the Freeman patent involves no more than the skill of the art and not invention.

The lower courts did not refer to the wiring diagrams of May 5, 1927, and November 22, 1928, in their respective opinions.

The Circuit Court of Appeals for the First Circuit in *The Anderson Company et al. v. Lion Products Co., Inc., et al.*, 127 F. (2d) 454, 457, held:

A mere aggregation of parts and processes already known in the art will not support the grant of monopoly which the patent law gives to inventive genius. A new combination of old elements alone is not patentable, and a mere utilization of what is

known in the prior art even though the result is an improvement over what has gone before and even though the finished product is different in shape and form *is not invention*. Something more is required. Invention cannot be claimed unless the patentee can show by his achievement that spark of ingenuity which distinguishes invention from mere improvement. *Cano Engineering Corporation v. Automatic Devices Corporation* (1941), 314 U. S. 84; *Mantle Lamp Co. v. Aluminum Products Co.* (1937), 301 U. S. 544; *Hatch Kiss v. Greenwood*, (1851), 11 How. 248.

In the *Cano Engineering* case, 314 U. S. 84, 88, as applied by the Circuit Court of Appeals for the First Circuit, this Court held that the Mead patent for a cigar lighter *was not the result of invention* but "a mere exercise of the skill of the calling," an advance "plainly indicated by the prior art", citing *Altman Public Theatres, Inc. v. American Tri-Ergon Corp.*, 294 U. S. 477, 486.

The findings of this Court in the *Cano Engineering* case are clearly stated in the words of Mr. Chief Justice Stone, 314 U. S. 84, 92, 93, 94, in his concurring opinion as follows:

"I agree that the use of the well known thermostatically controlled heating circuit exemplified by Copeland, with the removable wireless heating unit plug of Morris, in substitution for the manually controlled circuit which had previously been used with the plug, exhibited no more than the skill of the art."

In the *Mantle Lamp Company* case, 301 U. S. 544, 546, 547, this Court stated:

"We are of opinion that all the elements of the patent were old and aggregation of them *did not involve the exercise of inventive genius but of mechanical adaptation*. * * *

Emphasis ours unless otherwise indicated.

"In short, anyone familiar with the prior art needed only by exercise of mechanical skill to combine known methods and structures and so attain the combination exhibited in the patent."

The Circuit Court of Appeals for the Third Circuit in *Zephyr American Corporation v. The Bates Manufacturing Company, et al.*, 428 F. (2d) 380, 384, 385, stated:

"For the grant of a patent the statute requires that the alleged invention be new and useful (35 U. S. C. A. § 31). In determining, therefore, whether there is patentable invention in any case, it is essential that the knowledge of the prior art be considered. (Citing authorities.) Manifestly, what is already known to the art at the time of a patent application is peculiarly of material bearing on the question of the novelty of the alleged invention."

"*Invention does not reside in mere skill.* *Altoona Public Theatres, Inc. v. American Tri-Ergon Corp.*, 294 U. S. 477, 486; *Hansen v. Shuck*, 230 F. 627, 632 (C. C. A. 3). As the Supreme Court said in *At-Lanta Works v. Brady*, 407 U. S. 192, 200, "To grant a single party a monopoly of every slight advance made, except where the exercise of invention, something above ordinary mechanical or engineering skill, is distinctively shown, is unjust in principle and injurious in its consequences." An aggregation of elements, old in the art, which does not bring about a new and useful result is not invention. *Case Engineering Corporation v. Automatic Devices Corp.*, 314 U. S. 84; *Keystone Driller Company v. Northwest Engineering Corp.*, *supra* (citing other authorities)."

This Court in *Altoona Public Theatres, Inc. v. American Tri-Ergon Corp.*, 294 U. S. 477, 486, 488, held:

"An improvement to an apparatus or method, to be patentable, must be the result of invention, and not the mere exercise of the skill of the calling or an

advance plainly indicated by the prior art. *Electric Cable Joint Co. v. Brooklyn Edison Co.*, 292 U. S. 69, 79, 80."

and this Court in *Keystone Driller Company v. Northwest Engineering Company et al.*, 294 U. S. 42, 59, held:

"The question is then, as stated by petitioner's counsel, was invention involved in taking a known form of out digging bucket or scoop, rebuilding and applying it to the Chutter in digging excavator, and making the changes necessary, so that it would perform the alleged new functions and results of Downie. We are convinced that the fixation of the scoop to the stick, the pivoting of a drop bottom near the front of the scoop which could be unlatched to drop the contents and closed by checking the momentum of the scoop, and the addition of rake teeth at the sides of the scoop, were all old in the art and that the combination of them and adaptation of the combined result was a mere aggregation of old elements requiring no more than mechanical skill, and was not, therefore, patentable invention."

It is therefore submitted that the Circuit Court of Appeals in the case at bar erred in affirming the judgment of the District Court that the Freeman patent was a valid patent and is contrary to the decisions of this Court in *Keystone Driller Company v. Northwest Engineering Company et al.*, 294 U. S. 42; *Altoona Public Theatres, Inc. v. American Tri-Ergon, et al.*, 294 U. S. 457; *Mantle Lamp Company v. Aluminum Products Co.*, 301 U. S. 544, and *The Cuno Engineering Corporation v. The Automatic Devices Corporation*, 314 U. S. 84, and is in conflict with the judgment of the Circuit Court of Appeals for the First Circuit in *The Anderson Company et al. v. Lion Products, Inc., et al.*, 127 F. (2d) 454, in the application of this Court's decision in said *Cuno Engineering* and *Mantle*

Long Coalpina cases, and is in conflict with the judgment of the Circuit Court of Appeals for the Third Circuit in *Zepher American Corporation v. The Bates Manufacturing Company* 341, 128 F. (2d) 380, in applying the decisions of this Court in the *Keystone Driller*, *Altman Public Theatres* and *Camp Engineering* cases.

Second Question.

(Contributory Infringement.)

The sole act of petitioner held to constitute a contributory infringement of the Freeman patent is the supply of a combination furnace control for use as the controls 23 and 24 in the furnace control system disclosed in the Freeman patent.

The Circuit Court of Appeals for the Seventh Circuit held that the unpatented combination furnace control supplied by petitioner, Morecold, was especially adapted for use in practicing the patented system, and that petitioner therefore was a contributory infringer, whereas the First and Second Circuit Courts of Appeal have held that one who supplied an unpatented part was not a contributory infringer, irrespective of whether it was an ordinary commodity or especially designed and intended for use in practicing the patented invention. The Circuit Court of Appeals in holding contributory infringement did not follow this Court's recent decisions in *Carbor Corp. v. American Patents Corp.*, 283 U. S. 27, and *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458, but relied upon a misapprehension of this Court's earlier decision in *Lords & Cathney v. Victor Talking Machine Co.*, 213 U. S. 325.

The Circuit Court of Appeals in its opinion states as a reason for holding contributory infringement:

"The accused device has no other use than for accomplishing the sequence of operations of the Freeman patent." 41-1228.

This statement is in direct contravention to the judgment of the Circuit Court of Appeals for the First Circuit in *B. B. Chemical Co. v. Ellis et al.*, 117 F. (2d) 829, 834, wherein the Court stated:

"The plaintiff seeks to prevent the application of this rule to this case by limiting the doctrine to those situations in which the alleged contributory infringer supplies staple articles of commerce. It insists that, where the articles supplied are specially adapted for use in this particular process, what is not to be deemed the patentee's matter what his course of business. It points to dry ice, bituminous emulsion, and lecithin as such staple articles. We do not consider that to have been intended as a limitation upon the doctrine of the *Leitch* and *Carbice* cases. The language of those cases is extremely comprehensive and is by no means restricted to staple articles.

"There is every indication that the *Carbice* and *Leitch* cases apply to specially designed non-patented articles. (Citing authorities.) We agree with the opinion of the Second Circuit in *Phylad Co. v. Leichter Laboratories*, *supra*, that the emphasis is on the fact that the articles sold by the alleged contributory infringer were not covered by the plaintiff's patent although it conducted its business as though they were."

and is in contravention to the judgment of the Circuit Court of Appeals for the Second Circuit in *Phylad Co. v. Leichter Laboratories, Inc.*, 107 F. (2d) 747, 748, wherein the Court stated:

"It is urged that the rule of the *Carbice* case covers only an effort of a patentee to control the use of staple materials, carbon dioxide, in the *Carbice* case, bituminous emulsion in the *Leitch* case, and that the hair waving devices in the present case are not staples,

There is no support for any such limitation on the rule. *In both the Carbone case and the Litch case, the emphasis was on the fact that the articles handled by the defendant contributed infringers were not covered by the patent.* . . .

The Circuit Court of Appeals in the case at bar approved of the Findings of the District Court as to infringement (R. 1226, 1227). The District Court found:

"27. The Freeman patent is not a patent on either the fan switch or the limit switch or both of them. It is a patent on a system of furnace control, which requires three thermostats for its operation." (R. 1069.)

The Circuit Court of Appeals found that:

"Honeywell urges that *Freeman's advance in the art is the arrangement of thermostat switches*, subject to furnace heat, in connection with other parts, to secure a sequence of operations whereby combustion is stopped before excessive heat is reached in the furnace, but the fan continues to run and take the heated air from the furnace and deliver it to the rooms." (R. 1228.)

The Circuit Court of Appeals in its opinion also stated:

"It has long been held that the owner of a patent may restrain contributory infringement, if within his rights under the patent law; providing his conduct is otherwise proper. *Hallam v. Holmes*, 29 Fed. Cases, No. 17,100, 9 Blatchf. 65. It has been held further that one is an infringer if he makes and sells an unpatented element of a combination which serves to distinguish the invention, that is to say, to make the advance upon the prior art, knowing that it is to go into the patented combination. *Leeds & Catlin v. Factor Co.*, 213 U. S. 325." (R. 1230.)

The patent sought to be enforced is for a system of domestic heating. Does it give the patentee a monopoly of any of the old parts by which the system is operated, under this Court's decision in *Leeds & Catlin v. Factor Talking Machine Company*, 213 U. S. 325?

This Court in the *Lincoln Engineering* case, 306 U. S. 545, 552, referring to its decision in the said *Leeds & Catlin* case, stated:

"Berliner disclosed an entirely novel principle: he utilized the flat disc having a smooth bottomed groove with spiral waves in its sides not only to agitate the needle connected to the diaphragm, but, in combination with a swinging arm, to propel the needle lengthwise the groove. In his combination, the disc not only performed a new function but performed it in combination with another new element, the swinging arm which carried the needle."

The Circuit Court of Appeals in the case at bar in its opinion found:

"Mercoild's device, which was held to infringe the patent, is referred to by the parties as M 80."

"Mercoild's M 80 is a combination fan and limit control. It has two thermostatically operated switches in a single casing so arranged as to permit the fan to operate when the limit switch has opened the circuit of the stoker motor for stopping combustion when a dangerous and excessive temperature has arisen in the furnace." (R. 1226, 1228.)

The respondent's patent expert stated:

"Now, when we come to the M 80 we have that mechanical interconnection and, therefore, you do in one switch what the Freeman patent shows is done in two switches." (R. 440.)

The advance in the art is not in one or two switches but the arrangement of the switches in the circuits to the

stoker motor and to the furnace fan. While the two switches in the M 80 may be connected in the circuits in the manner described in Merceid's letters of 1927 and 1928 (R. 945, 947, 949, 953) or in the manner shown in Merceid diagram 748 of 1929 (R. 829), they also may be connected in the circuits as shown in the Freeman patent.

It is the manner in which the binding posts of the respective switches are connected in the control circuit that is the "advance in the art" and not the switches *per se*, that is the invention disclosed in the Freeman patent.

Therefore, the sale by petitioner of a combination fan and light control was not a sale of the "advance in the art" of the patent in suit and does not contribute to the infringement of the patent in suit (if so, it was taught in Merceid's letters of 1927 and 1928, R. 945, 947, 949, 953) in accordance with this Court's interpretation of the doctrine of contributory infringement of *Leds & Cathie v. Victor Talking Machine Co.*, as expressed in this Court's decisions in *Bassick Manufacturing Co. v. Hollingshead Company*, 298 U. S. 445, and in *Lincoln Engineering Company v. Stewart Warner Corporation*, 303 U. S. 545.

The Circuit Court of Appeals in the case at bar in its opinion stated:

In support of its contention to the contrary, Merceid relies upon *Carbur Corp. v. American Patent Corp.*, 283 U. S. 27, and *Leitch v. Barber*, 302 U. S. 458, and kindred cases. In the *Carbur* case, the Supreme Court said that it was wholly unlike the *Leds & Cathie* case, and in the *Leitch* case, the Court said that there was nothing in the *Leds & Cathie* case that limited the rule in the *Carbur* case." (R. 1230.)

In the *Carbur* case, 283 U. S. 27, 34, 35, this Court stated:

The case at bar is wholly unlike *Leds & Cathie v. Victor Talking Machine Co.*, 213 U. S. 325, 333, in

which plaintiffs rely. *In the case at bar the plaintiffs neither sell nor license others to sell complete transportation packages. They supply merely one of the several materials entering into the combination; and on that commodity they have not been granted a monopoly. Their attempt to secure one cannot be sanctioned.*"

Respondent's patent expert stated:

"I do not think any of these claims specify any apparatus, Mr. Moore. They relate to a system, a turnpike control system." (R. 441.)

Respondent neither sells nor licenses others to sell complete turnpike control systems.

In the *Leitch* case, 302 U. S. 458, 463, this Court stated:

"The Court held in the *Carbur* Corp. case that the limitation upon the scope or use of the patent which it applied was 'inherent in the patent grant.'"

By the rule there declared every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited. It applies whether the patent be for a machine, a product, or a process. *It applies whatever the nature of the device by which the owner of the patent seeks to effect such unpatented extension of the monopoly. Nothing in Leeds v. Catlin, Co. v. Victor Talking Machine Co., 213 U. S. 325, limits it.*"

It is submitted that the Circuit Court of Appeals, in holding petitioner contributed to the infringement of respondent's patent under the authority of this Court's decision in *Leeds v. Catlin v. Victor Talking Machine Co.*, is in direct conflict with the decisions of the First Circuit Court of Appeals in *B. B. Chemical Co. v. Ellis*, 117 F. (2d) 829, 834, and of the Second Circuit Court of Appeals in *Pholad v. Lechler*, 107 F. (2d) 747.

Third Question.

(Improper Use of Patent Precludes Maintenance of Suit.)

The patent in suit is for a domestic heating system.

Respondent does not make, use or sell heating system, but makes and sells combination furnace controls for use in heating systems. It does not grant licenses under the patent in suit to users of heating systems unless they purchase the combination furnace control from respondent, as stated on page 40 of respondent's catalog of 1940:

"The right to use the Systems protected by the following patents is only granted to the user by Minneapolis Honeywell Regulator Company when the particular controls as shown below are purchased from Minneapolis Honeywell Regulator Company and used in the Systems." (R. 795.)

Respondent has granted non-exclusive licenses under the Freeman system patent to five control manufacturers (R. 47) to make, use and sell only the combination furnace control embodying the two thermostatic switches 23 and 24 of the Freeman patent not covered *per se* by the Freeman patent (R. 896), and to convey a license only to the purchaser of each combination furnace control to use it in performing the Freeman patented system (R. 898).

The Circuit Court of Appeals in its opinion stated:

"Morecold contends that these licenses involve use of the patent to monopolize the sale of the control which of itself is not covered by the patent, and this it urges bars Honeywell's right to maintain an infringement suit, and also violates the Anti Trust laws. In other words, it argues that Honeywell is guilty of inequitable conduct and of violating the Anti Trust laws because it does not sell Freeman's systems, but sells unpatented controls which are not within the scope of the Freeman patent." (R. 1229, 1230.)

and held:

"We find no evidence in this case that Honeywell by its conduct or by its license required anyone to buy any element or elements of the patent from Honeywell or its licensees, but all of its conduct complained of was directed to the protection of Freeman's advance in the art. This we think was well within its rights and we find no decision to the contrary. Since it has not exceeded any of its rights under the patent, on the same facts it cannot be said that it has violated the Anti-Trust laws." (R. 1231.)

The Circuit Court of Appeals found that Freeman's advance in the art was not the particular switches *per se* (R. 1247):

"... *the arrangement of the thermostat switches, subject to furnace heat, in connection with other parts, to secure a sequence of operations whereby combustion is stopped before excessive heat is reached in the furnace, but the fan continues to run and take the heated air from the furnace and deliver it to the rooms.*" (R. 1228.)

so that the system as described and claimed in the Freeman patent is *not completed* until the thermostatic switches are connected and arranged in circuit to secure the claimed sequence of operations, and *this complete system is Freeman's advance in the art.*

The Circuit Court of Appeals approved of the District Court's opinion as to validity and infringement (R. 1226, 1227). The District Court found:

"27. The Freeman patent is *not a patent on either the fan switch or the limit switch or both of them. It is a patent on a system of furnace control, which requires three thermostats for its operation.*" (R. 1069.)

The opinion of the Circuit Court of Appeals, therefore, puts its stamp of approval upon a method of doing business permitting the patent owner to derive its profit not from the invention on which the law gives it a monopoly, but from the sale of unpatented appliances used with it and wholly outside the scope of the patent monopoly.

The above holding of the Circuit Court of Appeals in the case at bar that respondent "has not exceeded any of its rights under the patent" is in direct conflict with the judgment of the Circuit Court of Appeals for the Second Circuit in *The Philad Co. v. Lochler Laboratories, Inc.*, 107 F. (2d) 747, 748, 749.

The Circuit Court of Appeals for the Second Circuit in affirming the decision of the District Court stated:

"The Philad Company, owner of a patent on a process for imparting a permanent wave to the hair, patent to Mayer, reissue 18,841, brought suits for infringement against four concerns. . . . The defendants conceded that the appliances sold by them (relamps, curling rods, pads and heaters) were of shapes and sizes that fitted them for use in operating the patented process and were sold with knowledge that customers would use them in waving hair by that process. *The trial judge* dismissed the complaints without passing on the validity of the patent. He held that the Philad Company was attempting to use the process patent to control unpatented materials and was consequently not entitled to relief.

"The Philad Company does not use the patented process, nor does it collect royalties from hair dressers for use of the process. What it does do is to issue licenses to some sixteen concerns which manufacture hair waving equipment, with authority to sublicense the process to purchasers of equipment. . . . The manufacturing concerns sell the equipment to hair dressers, in effect sublicensing them to use the pat-

ented process with the equipment. *The defendants are competitors of the licensed manufacturers in the sale of hair dressing apparatus. As already stated, their apparatus is suitable for use in carrying on the patented process and is in fact so used, to the knowledge of the defendants. The apparatus, however, is not within the patent sued on.* * * *

"In the *Carbice* case * * * The rule was laid down broadly that *where the owner of a patent sought by means of it to control the supply of unpatented materials used in applying the invention, no relief would be given in a suit for contributory infringement* against a concern which sold the unpatented materials to the trade. In the *Leitch* case the rule was reiterated and applied to a process patent. * * * It was held that the plaintiff could not have relief for contributory infringement against a concern which sold the emulsion to road builders for use in practicing the patented process. The court pointed out that the owner of the patent was using it to suppress competition in an unpatented article, and held that the *Carbice* case was controlling. * * *

"The patent sought to be enforced is on a process of waving hair. It does not give the plaintiff a monopoly in the appliances by which the process is operated. *Yet the plaintiff's course of conduct shows plainly that the sole use made of the patent is to suppress competition in the appliances. It is not entitled to relief against those who sell such appliances without its leave.* * * *

"In both the *Carbice* case and the *Leitch* case the emphasis was on the fact that the articles handled by the alleged contributory infringers were not covered by the patent, and on the further fact that the patentee by his method of doing business was using his patent as if it did cover such articles; * * * for present purposes the appliances are to be taken as unpatented."

The holding of the Circuit Court of Appeals in the case at bar is also in direct conflict with the judgment of the Circuit Court of Appeals for the Third Circuit in *Barber*

Asphalt Corporation et al. v. La Fera Grecco Contracting Co. et al., 116 F. 2d 211, 216, wherein the Court stated:

"The principle enunciated by the Supreme Court in *Carbide Corp. v. American Patents Corp.*, *supra*, is exceedingly explicit. It holds that the owner of a patent for process may not secure a partial monopoly on the unpatented material employed in it. This is precisely the effect of the agreements and licensing plans of the plaintiffs. Accordingly the court below erred in holding that the course pursued by the plaintiffs did not create an unlawful monopoly in the sale of unpatented staple material, *viz.*, bituminous emulsions."

Furthermore, the Circuit Court of Appeals, speaking through Judge Sparks, in the case at bar in reversing the District Court's decree that:

"Honeywell has been so using its Freeman patent as to tend to create a monopoly in an unpatented device" (R. 1071)

and in dismissing Honeywell's complaint for want of equity, is in direct conflict with its own judgment in the *American Lecithin* case wherein, speaking through Judge Kerner, it held:

"Thus, in the instant case, it is obvious that the sole protection sought by the patentee was of a limited monopoly for its unpatented lecithin. It did not try to obtain any income from the monopoly expressly granted by the patent itself, either by practicing the patented method or by granting licenses for a royalty. For this reason, a different light is shed upon the rights of the patentee, and for this reason relief is denied the patentee. . . . The plaintiff's method of doing business had only one purpose, the doing by indirection what was prohibited directly, *i.e.*, the securing of a monopoly in the sale of lecithin, a commodity not coming within the boundaries of the patent owned by the plaintiff. This action the courts will not sanction."

"We conclude, therefore, that the plaintiff's attempt to extend its patent monopoly beyond the boundaries described in the claims of the patent is condemned under the law. For this reason relief to the plaintiff is denied, and the decree of the district court is affirmed."

Furthermore, the said holding of the Circuit Court of Appeals in the case at bar is also in direct conflict with a later judgment of the Circuit Court of Appeals for the Fourth Circuit in *Sylvania Industrial Corporation v. The Fisking Corporation*, 132 F. 2d 947, wherein the Court stated:

"The court found from these facts that the plaintiff was making use of patents owned by it, including the patent in suit, for the purpose of securing a limited monopoly of an unpatented material, that is, plain, unprinted, regenerated cellulose sausage casings, and concluded, therefore, that the plaintiff was not entitled to relief in this suit even though, as the court held, the patents in suit were valid and infringed by the defendant. This legal conclusion is in accordance with the doctrine that the use of the patent monopoly to restrain competition in unpatented material is contrary to the public policy expressed in the Constitution and laws of the United States to promote the progress of science and useful arts by securing to inventors the exclusive right to their inventions for limited times. In *Morton Salt Co. v. Suppiger Co.*, 314 U. S. 488, 491, 492, the court said:

"... It is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest."

Furthermore, this Court in its decision in *B. B. Chemical Company v. Ellis, et al.*, 314 U. S. 495, 497, in affirming the Circuit Court of Appeals, stated:

"The Courts below held that petitioner's sale to manufacturers of the unpatented materials for use by

the patented method operated as a license to use the patent with that material alone and thus restrained competition with petitioner in the sale of the unpatented material, as in *Carbide Corp. v. American Patents Corp.*, 283 U. S. 27, and *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458."

This Court in *Morton Salt Company v. The G. S. Suppiger Company*, 314 U. S. 488, 491, stated:

"It is the established rule that a patentee who has granted a license on condition that the patented invention be used by the licensee only with unpatented materials furnished by the licensor, may not restrain as a contributory infringer one who sells to the licensee like materials for like use. (Citing authorities.)"

It is submitted that the Circuit Court of Appeals erred in its opinion in holding respondent was not attempting to use the patent in suit to monopolize an article beyond the bounds of the patent, in view of this Court's decision in the *Carbide* case and later decisions cited herein, and in doing so held directly contrary to the judgments of the Second, Third, Fourth and Seventh Circuit Courts of Appeal.

Fourth Question.

(*Violation of the Anti-Trust Laws.*)

The Circuit Court of Appeals in the case at bar held that respondent had not operated in restraint of trade nor in violation of the Anti-Trust Laws when it required as a condition to use the Freeman patented system that an unpatented part thereof, namely, the combination furnace control, be purchased from it or its licensees and fixed the price of said combination furnace control as well as individual controls.

The District Court in its opinion found:

"On the charge that Minneapolis Honeywell has been using its patent on the Freeman system of furnace

Minneapolis-Honeywell Controls, Time-O-Stat Controls and Con-Tac-Tor Mercury Switch and National Regulator Controls are manufactured and sold under the following patents either by Minneapolis-Honeywell Regulator Company or under which Minneapolis-Honeywell Regulator Company is licensed. Other U.S. and foreign patents are pending.

No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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*The right to use the Systems protected by the following patents is only granted to the user of the Minneapolis-Honeywell Regulator Company when the particular controls as shown below are purchased from Minneapolis-Honeywell Regulator Company and used in the Systems.

Patent No.	SYSTEM	CONTROLS
1,467,049	Diaphragm Gas Valve System	Any Main Fuel Valve or Safety Pilot
1,758,146	System of maintaining Stoker Fire	*Stoker switches
1,758,147	System of maintaining Stoker Fire	*Holdfire Controls
1,785,741	Humidifying System	Humidity Responsive Controls
1,813,732	Forced Air Furnace Control System	Furnace Fan Controls

control as a means of creating or attempting to create a monopoly on an unpatented device, contrary to the rule laid down in the *Morton Salt Case*. . . . the court is of the opinion that it must be held that *Minneapolis-Honeywell* has been so using its patent as to tend to create a monopoly in an unpatented device. Minneapolis-Honeywell has been licensing others and has offered to license Mercoind to manufacture, use and sell a single device which embodies within itself two elements of the *Freeman* patent, namely, the two thermostats which are placed in the furnace hood, one being the fan switch and the other being the limit switch. . . . *The Freeman patent is not a patent on either the fan switch or the limit switch or both of them. It is a patent on a system of furnace control, which requires three thermostats for its operation. It happens that two of those thermostats are a fan switch and a limit switch.*" (R. 1063.)

Respondent did not grant licenses to others to use the Freeman patented system unless the combination furnace control was purchased from it, as advertised in its Catalog of 1940, page 40 (R. 795), a copy of which for convenience is here reproduced, in which patent No. 1,814,732 is the Freeman patent here in suit.

Respondent granted licenses under the Freeman system patent to five control manufacturers to make, use and sell only the combination furnace control

. . . on the express condition that the prices, terms and conditions of sale of 'Combination Furnace Controls' made in accordance with the terms of this agreement, shall be not more favorable to the customer than those fixed from time to time by Licensor for its own products embodying the invention covered by said agreement. . . . The prices, terms and conditions of sale shall be set forth in a schedule to be known as a 'Price Schedule' and, shall be issued from time to time by Licensor and form a part of this Agreement as though herein set out in full. . . . A price schedule is hereto attached and marked 'Price Schedule Exhibit A.' (R. 909, 910.)

Page 1 of the Price Schedule Exhibit A (R. 913) for convenience is here reproduced.

Later, respondent required each licensee to sell separate switches for the same purpose as the combination furnace control at a price not less than 25c higher than the prices set forth in the Price Schedule for any specific combination furnace control. This restriction was embodied in a separate letter to each licensee (R. 1051) and a copy of one of such letters for convenience is here reproduced.

Both the trial court and the Circuit Court of Appeals are silent as to Mercoild's charges that by these licenses respondent is *attempting to fix the price upon an unpatented device*, in violation of the Anti Trust laws.

The Court of Appeals in its opinion stated:

"To this we think there is no attempt to illegally monopolize the sale of the Honeywell control unless it is used or intended to be used in the Honeywell system. . . . Since it has not exceeded any of its rights under the patent, on the same facts it cannot be said that it has violated the Anti Trust laws." (R. 1220, 1231.)

and then held:

"The decree of the District Court is affirmed in all respects, except as to its decree that Honeywell has been so using its Freeman patent as to tend to create a monopoly in an unpatented device, and in dismissing Honeywell's complaint, and in the assessment of costs. In these respects the decree is reversed." (R. 1234.)

While this Court has repeatedly held that the attempt to use a patent unreasonably to restrain commerce is condemned under the Anti Trust Laws or to use a patent as a means of obtaining a limited monopoly of unpatented material is prohibited, yet it has never passed upon the question that such use of a patent is a violation of the Anti Trust Laws and *applied the penalties thereunder*, so far as petitioner has been able to discover.



PRICE SCHEDULE - EXHIBIT A

Price Schedule forming a part of license agreement involving Freeman Patent No. 1,813,732.

MANUFACTURER

A manufacturer shall be defined as any firm manufacturing and marketing equipment with which Combination Furnace Controls are sold as an original part of, or necessary accessories to their product.

Manufacturer's Price.

The net minimum price for a Combination Furnace Control shall be \$ 5.

The net minimum price for a Combination Furnace Control including a summer switch (manually operable on and off switch for the fan) shall be 5.

The net minimum price for a Combination Furnace Control operable at two speeds shall be 7.

The net minimum price for a Combination Furnace Control operable at two speeds including a summer switch (manually operable on and off switch for the fan) shall be 7.

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ESTABLISHED 1885

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MINNEAPOLIS-HONEYWELL REGULATOR COMPANY

M-H AUTOMATIC CONTROL SYSTEMS

BROWN INDUSTRIAL INSTRUMENTS

NATIONAL PNEUMATIC CONTROLS

MINNEAPOLIS, MINN

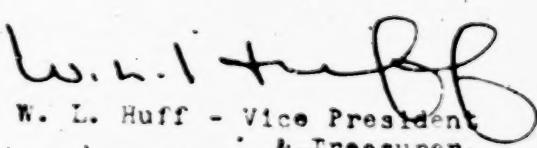
April 18, 1939.

Perfex Corporation,
415 West Oklahoma Place,
Milwaukee, Wisconsin.

Gentlemen:

In connection with our license agreement to you under the Freeman Patent No. 1,813,732, we agree that so long as you do not sell separate heating medium temperature responsive controls for carrying out the system of the Freeman patent at a combined price which is less than 25% higher than the prices set forth in the Price Schedule of the agreement for any specific "Combination Furnace Control" comparable to carrying out in operation and function what the separate controls would do, we will not assert our rights against you or your customers under the Freeman Patent on account of such sales.

Yours very truly,


W. L. Huff - Vice President
& Treasurer.

WLF:med

This Court in the *Morton Salt* case, 314 U. S. 488, 490, 491, 494, stated: .

"The Clayton Act authorizes those injured by violations tending to monopoly to maintain suit for treble damages and for an injunction in appropriate cases. 15 U. S. C. A., §§ 1, 2, 14, 15, 26."

and held:

"It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that in any event the maintenance of the present suit to restrain petitioner's manufacture or sale of the alleged infringing machines is contrary to public policy and that the district court rightly dismissed the complaint for want of equity."

The holding of the Circuit Court of Appeals that respondent has not violated the Anti Trust Laws is in direct conflict with the judgment of the Circuit Court of Appeals for the Third Circuit in *Radio Corporation of America v. Lord et al.*, 28 F. (2d) 257, 261, 262, certiorari denied 278 U. S. 648, in which Lord et al. alleged RCA violated U. S. C. Title 15, §§ 1, 2 and 14, by licensing purchasers of its vacuum tubes to make and use its patented radio receiving sets only when using vacuum tubes purchased from RCA. The Circuit Court of Appeals affirmed the findings of the District Court that the effect of this licensing arrangement was substantially to lessen competition and tended to create a monopoly in violation of the Anti Trust laws, stating:

"... the practical effect of paragraph 9 was to prevent the licensees from using or dealing in tubes other than those sold by the defendant; that its provisions were as effective as express covenants would be, and practically compelled the use of the tubes of the defendant in all receiving sets made by the licensees, except upon risks which manufacturers will

not incur; and that such agreements were prohibited by the Clayton Act. *Standard Fashion Co. v. Magrane-Houston Co.*, 258 U. S. 346, 355, 42 S. Ct. 360, 66 L. Ed. 653; *United Shoe Machinery Corp. v. United States*, 258 U. S. 451, 457, 458, 42 S. Ct. 363, 66 L. Ed. 708.

This holding of the Circuit Court of Appeals in the case at bar is in direct conflict with the judgment of the Circuit Court of Appeals for the Third Circuit in *Barber Asphalt Corporation et al. v. La Fera Greco Contracting Co. et al.*, 116 F. (2d) 211, 216, wherein the court stated:

"We have gone into the nature of the licensing agreements because they are put squarely in issue by the counterclaim. . . . *the subject matter of the counterclaim is one with which the Anti-Trust Laws of the United States are concerned.* Jurisdiction of that subject matter is vested in courts of the United States and the court below had jurisdiction of all the parties. *The counterclaim sets up a cause of action independent of the validity or invalidity of the Hayden patent.*

"Accordingly, the judgment of the court below is reversed and the cause is remanded with directions to dismiss the complaint for want of equity, to restate the counterclaim and to enter judgment granting relief thereunder."

Petitioner's complaint, in the case at bar, is for a declaratory decree that respondent has violated the Anti-Trust Laws.

This Court has never passed upon this question under the circumstances set forth in the record, so far as petitioner has been able to discover.

This Court in regard to price fixing stated in *Ethel Gasline Corporation et al. v. United States of America*, 309 U. S. 436, 452, 456, 457, 458, 459:

*"Agreements for price maintenance of articles moving in interstate commerce are, without more, unreasonable restraints within the meaning of the Sherman Act because they eliminate competition, United States v. Trenton Pottery Co., 273 U. S. 392 * * **

This Court in *United States v. Louis Lens Co.*, 316 U. S. 241, 251, 252, 253, stated:

*"The price fixing features of appellants' licensing system, which are not within the protection of the patent law, violate the Sherman Act. * * **

This Court in *Sola Electric Company v. Jefferson Electric Company*, announced December 7, 1942, in 87 L. Ed. Advanced Opinions, 150, 152, involving price fixing licenses granted under a patent, stated:

*"The present license contract contemplates and requires that petitioner, on sales of the licensed transformers throughout the United States, shall conform to the prices fixed by respondent for the sale of competing patented articles by other licensees and by respondent. * * * Agreements fixing the competitive sales price of articles moving interstate, not within the protection of a patent, are unlawful because prohibited by the Sherman Act."*

It is therefore submitted that the Circuit Court of Appeals erred in view of the above cited authorities in reversing the District Court's decree that respondent has been so using its Freeman patent as to tend to create a monopoly in an unpatented device, and in failing to find that by respondent's licensing arrangement and price fixing agreements it violated the Anti-Trust Laws.

Conclusion.

For the reasons above stated, it is urged that this petition for writ of certiorari be granted, especially in view of the conflicting interpretations of this Court's decisions by the Circuit Court of Appeals for the Seventh Circuit in the case at bar and the Circuit Courts of Appeal for the First, Second, Third, Fourth, and Seventh Circuits, and the federal questions relating to violation of the Anti-Trust laws.

Respectfully,

LANGDON MOORE,

GEORGE L. WILKINSON,

Counsel for Petitioner.

Chicago, Illinois,

April 28, 1943.

